ECONOMICS IN ACTION JULY 1953

Employment statistics are hugging close to the record high of the past seven months, with a slight uptrend because of the normal spring and summer pickup:

Nonagricultural jobholders total almost 49 million--up a million and a half over last year.

Agricultural employment, pegged at 12 million in April, may hit 14 million this summer, as vacacationing youngsters move on to the farm.

If you're looking for a job in the next few months, chances are you'll find opportunities wide open in all but "glamor fields" like television, advertising and public relations...But the days of sensational increases in the labor force are over. Employment will reach the 63 million mark this summer and then decline gently until the Christmas rush begins....

For most unions, spring is the traditional time for reopening contracts--and this spring was no exception. In two dozen basic industries, unions won increases averaging 8¢ an hour...Biggest gains were scored by United Auto Workers who had threatened to strike:

General Motors' employees were given 19¢ of their present 24-cent cost-of-living allowance as a part of their permanent pay.

Ford and Chrysler granted increases and pensions.

In industries no longer operating at boom pace, workers have found these increases especially welcome, since a decrease in overtime has been cutting heavily into take-home pay....

Thanks to the latest round of wage increases, the average industrial worker now earns a record $72 a week--$30 more than he earned at the end of World War II...Not only have wages gone up, but the purchasing

ECONOMICS IN ACTION

power of the individual dollar is on the upgrade...An hour's work, for example, now buys more roast beef than at any time in the past twenty years:

In 1932, workers earned 1.8 lbs. of beef an hour.

Today, they're earning 2.75 lbs. an hour.

Beef prices, by the way, will increase this summer, but fall in September to a new post-war low....

Although the wage picture is good, many unions have been registering dissatisfaction with the way the Government has been handling labor problems...Their gripes include the tight money policy, White House inaction on Taft-Hartley and Eisenhower's failure to strengthen the Department of Labor as promised...The CIO is especially irked by a three-month delay in approving one of its men for a top Cabinet post...It is rumored quite often that Labor Secretary Martin Durkin plans to resign, but the likelihood is that Durkin, the only Democrat in the Cabinet, will stick it out ...Meanwhile, a stride toward labor unity has been made by the agreement between AFL and CIO leaders to stop raiding each other's unions for members....

Don't count on tax cuts to increase your real income. In spite of the shouting on Capitol Hill, it's a sure bet that taxes will remain pretty much as they are:

Personal income taxes won't be cut this summer; will decrease 9% only when present law expires at the end of this year.

Excess profits tax is scheduled to die this month, but Eisenhower is urging that it be continued for six more months to help balance the budget.

With an eye on the '54 elections, Congress balks at helping the President by voting extra taxes....

(*Continued on page 47*)

challenge
MAGAZINE

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a personal note

THE ECONOMIC TRAGEDY OF 1929 continues to bestir the memories of our adult population. Rightly or wrongly, the prestige of the New Deal era is very great among many of those who thought they saw Franklin Roosevelt "doctor" the economy back to life. It is easy to comprehend why people who believed in the efficacy of the New Deal should still consider the government the prime mover of our economic activity. But even those who decried the philosophy of the Roosevelt administrations, and still do now — even some of these people have become party to the current query: "What will happen to the economy if the government stops its defense spending?" Their thinking demonstrates how deeply we have become inured, as a nation, to the weight of government in the scale of our economy.

The sense or nonsense of a government's spending money that the taxpayer would be happy to spend himself seems easily determined. The big question, in the last analysis, is really one of ideological viewpoint: who, in the long run, can manage that money for the good of all? Individuals or the government?

This is the question that has drawn the line between East and West. There is no doubt that in terms of the number of guns manufactured or the number of dams constructed the East and the West will eventually reach a point of equality. A free economy can produce nothing which a state-planned economy cannot. No pilot who has engaged a MIG over Korea will deny this.

BUT THERE IS A DIFFERENCE between the two systems. The West places an emphasis upon human values that is totally lacking in the East. It is not original to say that a government that controls all facets of the economy can control the hearts and bodies of men as well. Even if this were not the original intent, it would eventually come to this. It always has. Therefore, if we wish to discourage the role of government in our economic affairs, it is more on political and social grounds than on economic that we do so.

We rather suspect that those who welcome governmental interference are motivated more by a desire to achieve a perfect economic order than to be ruled by Big Government. Unfortunately, perfection in human affairs is not only uncommon, but unnatural. It can be achieved only under laboratory conditions — and guinea pigs in a laboratory have never been known to have much freedom.

It is unfortunate, too, that many of those who are wise enough to see the peril of government controls are not wise enough to study why some others do not share similar fears. To the millions of unemployed during the Depression, the WPA offered work and a seeming escape from the public dole. To thousands of farm households, government loans and subsidies offered an alternative to impending disaster. To point out to these people the dangers of government participation in economic activity is, in many cases, to advance a hollow argument. For what answer could we give if they should ask: "Where could I have found a job? How could I have avoided foreclosure? Who would have helped me, if the government did not?"

The truth of the matter is that no one but the government could have taken immediate remedial measures *after the Depression had come.* The Depression was a nation-wide debacle, something on the same order as an enemy attack upon the country. Is it not in the nature of government to marshal the forces of the country in the face of a national catastrophe?

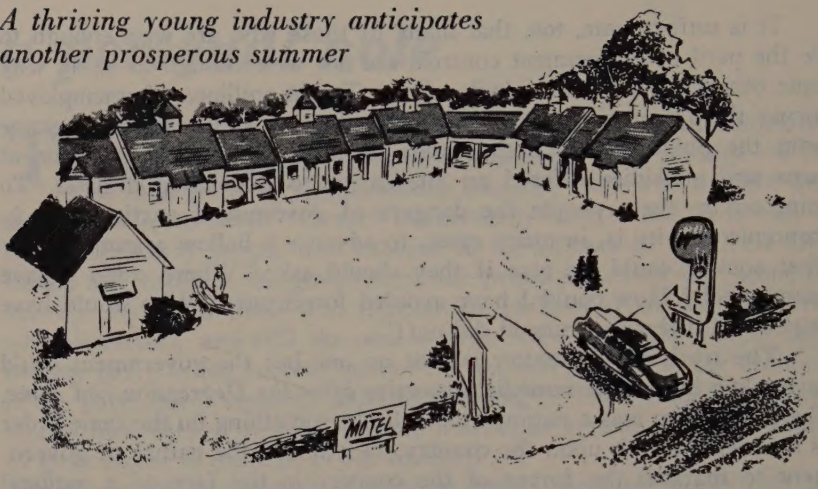
IT WOULD SEEM, THEREFORE, that the task before us is not to decry the New Deal mentality, but to understand its causes—and to exercise our national wisdom to avoid these causes.

An informed public can develop a society founded on democratic values — without incurring the threat of extremes in economic disturbances. It is the duty of all of the elements of our society to understand what is economically good for the country and what is bad. The collective will of free individuals who know the difference between good economics and bad economics can keep the country from falling into another period of economic emergency. Once the catastrophe strikes, it is too late to bemoan the role that government must assume.

The power of knowledge and an unselfish devotion to the common good breed the necessary faith and confidence in the future. The foolhardiness of those who desire a governmental guarantee of full employment shows a lack of faith, as does the faint-heartedness of those who believe some unemployment is a good thing. A country that rides the crest of economic prosperity through the aid of government expenditures can enjoy the same prosperity through the diligent application of individual efforts.

It is in the nature of democratic processes to allow some ups and downs in the pace of the economy. Democracy is not a machine of perfect coordination, but rather a condition in which an informed citizenry can *advance towards perfection.* It's all up to us now. — HB

A thriving young industry anticipates another prosperous summer



These Marvelous Motels

ABOUT 66 MILLION TOURISTS —in some 22 million cars —will take to the roads this summer, exceeding even last year's record-breaking vacation throngs, and they will be anticipated, with a combination of eagerness and dignity, by the motel owners throughout the country.

For the motel business—an industry only about twenty years old —today can count on housing almost 70 percent of the nation's motorists who make overnight stops. Only about 15 percent of all motorists stop at hotels, and the remainder drop in on unsuspecting relatives.

But ten years ago, these now pleasant statistics were reversed, according to the Automobile Manufacturers Association. At that time, the majority of motorists who had to make overnight stops stayed at hotels, and only about 15 percent of them would venture to stay at motels—or, as they are variously called, tourist courts or havens, motor inns or motor hotels, or "cabins," which the trade now regards as a nefarious term.

And it has been only during the past five years—during which the number of motels has almost doubled, from 25,919 in 1948 to almost 45,000 at present—that an air of thorough respectability has settled over the young industry. Along with gentility has come prosperity. Last year, motor courts

grossed about $1.6 billion, or just about ten times that of 1940's earnings. Total investment in motels throughout the country is about $5.7 billion.

An average motel operator can reasonably expect the annual return on his investment to range anywhere from 20 to 50 percent, which would allow him to pay for his place in something like three to five years. Of course, there is a good possibility of his going broke, too, especially if he builds his place in a motel-saturated area like California or Florida, or if he has the idea that running a motel means nothing more than sitting in the sun by the side of a well-traveled road and ringing the cash register.

IF THE PROSPECTIVE motel owner has an understanding wife who can double as hostess and housekeeper, and if he himself is ambitious, industrious, lucky and handy about the house—and doesn't mind working from sixteen to twenty hours a day between April and September, the peak season — there's a good chance of his being a success. Specifically, he should be a combination host-plumber-electrician-bookkeeper-accountant-lawyer-gardener.

In addition to these personal qualities, he'll need a minimum of about $50,000. *The American Motel Magazine*, a trade publication, estimates that the average new motel built today costs around $132,000 and contains about nineteen rooms, or units. About 70 percent of this goes for construction, 15 percent for land, and 15 percent for furnishings and equipment. This means that each unit of a new motel costs roughly $7000.

Cheaper motel units can be built, of course. But if costs come to less than $5000 per unit, the new motel will be a risky venture, because it probably won't be splendid or showy enough to attract today's discriminating motel guests.

Increasing competition within the motel trade has brought about a tendency toward "extras"—air conditioning, libraries, laundries, playgrounds and baby sitters for children. This is deplored by some of the oldsters in the industry, who point out that their business comes not from the Cadillac owners, but from the people driving Fords, Chevrolets and Plymouths.

"Most tourists are just average office and factory workers, or small businessmen on a week-or-two-weeks' trip with the wife and kids. So let's not get so fancy that we price ourselves right out of business," a motel operator in Crystal Bay, Nevada, wrote to a trade paper. (Motel accommodations now range from $2 to $10 per night.)

Statistics released by the American Automobile Association substantiate his theory. On the average, says the AAA, each carload

of vacation motorists this year will travel 1200 miles in eleven days, and each of the three occupants in an average car will spend $140.

HISTORICALLY, motels, like hotels, can be traced back to the old roadside inns and stagecoach taverns which were popular during the early days of our country.

Perhaps the first motel operator was a legendary character who set up shop along the Santa Fe Trail late in the Nineteenth Century. (Today's motel owners are anxious to point out that they do not hold him in esteem.) He had crude, rough-hewn quarters where travelers could draw up their wagons, rest and cook their food—for a price. He found he thrived on the profits of his leisurely enterprise so he added a roadside stand and sold traveling supplies and refreshments. He prospered.

Nothing more is recorded of motels until 1925, when a Los Angeles architect had an idea for a string of small hotels, built especially for motorists, which would follow the Pacific Coast from Southern California to Canada. The venture never materialized, and the only thing that is memorable about it is a word the architect coined for his company name: Milestone Mo-tel Corporation.

It was during the 1930s that the motel business started to grow. Then, motorists usually didn't have the money for city hotels, and one of the big attractions of the early motels — roughly built as they were—was their inexpensiveness.

During World War II, motels were used to ease the housing shortage in many cities. With the prosperity brought by war workers and their families, motel owners improved their places as best they could with building restrictions and materials shortages of the war years.

Starting in 1946, with the gradual loosening of building restrictions and with post-war prosperity that encouraged travel and long-delayed vacations, the motel business came into its own.

TODAY, it is a popular small business—but it has a set of economics completely different from most small businesses. At the end of the day, an unrented room is an item of merchandise that has perished — the revenue from its sale is gone for good.

Unlike other small businessmen, a motel owner doesn't have the chance to develop a local following, for his potential customers are all strangers.

During the past ten years, motels have cut deep into the business of hotels. Why?

"Because we're so convenient for motorists," writes an operator of one of the 100-odd motels that

surround the city of Denver, Colorado. "A man who takes his wife and kids out for a weekend trip doesn't want to bother with going into a crowded city and marching his family—who are pretty mussed up after driving all day—through the lobby of a hotel. We save him all of that. And he can unload his luggage himself, and save the bellboy's tip."

Personnel has a lot to do with the popularity of motels. "I own my motor court," a motel operator outside of Johnstown, Pennsylvania, writes, "so it's vital to me to see that my guests are comfortable, that they like my place well enough to tell their relatives about it. In a hotel, the staff is on salary, and they haven't as much heart in their work as I do."

A New Orleans, Louisiana, operator points out, "Most motels are new. Most small-town hotels are old." (But only about 6000 of the almost 45,000 motels in the country are approved by the Automobile Association of America; about 4900 of the nation's 16,000 hotels are. However, during the past six years, the number of AAA-approved motels has almost tripled; the number of approved hotels has declined.)

And with a touch of whimsy, an operator near Duluth, Minnesota, writes, "We're a natural for families with small children. If the young terrors drop out of a window they have only a couple feet to go, since most motels have only one story."

Hotels, of course, are fighting back for their lost business, mostly by concentrating on service: breakfast in bed, valets, beautiful dining rooms with many solicitous waiters—here is where big-city hotels excel.

Some hotel chains are catering to motorists by letting them hand over their car keys when they register—and thus forget their parking worries. But this is expensive, for it requires additional employees, and a garage in the heart of a city, where land costs usually are exorbitant.

There is one segment of the traveling population that hotels will always have a firm hold on: the traveling salesman. He usually requires much telephone service, and he needs an easily accessible spot in the center of town, where he can show his sample case to buyers. He can do this much better in a hotel room on Main Street than he can at the Marvelous Motel on the highway six miles out of town.

Who's gaining the lead in the hotel vs. motel race? Since it costs only about one-half the amount to build and furnish a motel unit as it does a hotel room of comparable quality, some hotel chains are meeting competition by building their *own* motels. ■

THE RACE FOR JET-LINER SUPREMACY

Why are we behind the British in commercial jet aircraft production?

ON JULY 27, 1949, at an airstrip somewhere near London, England, a new page was added to aviation history. A small and secretive group of officials watched attentively as a silver-glistening airliner was wheeled from the assembly shop. The runway was twice as long as those used for conventional airliners. Mechanics swarmed all over the plane; fueling teams worked quickly, while the crew members swapped comments and received last-minute briefings.

At first glance, the plane did not seem to be extraordinary in design. Only the huge eye-socket cavities, where the propellers are usually located, distinguished it as something "special."

Instinctively, the crowd began to move away to a respectable distance. The reason became obvious as the engines started to roar and the cavities sucked in huge gobs of air, creating an earsplitting racket. Then the plane shot forward in a fast, smooth take-off, leaving the ground at a low angle. Within seconds its 1000-feet-a-minute climb reduced it to a sliver in the blue skies, and the roar which had filled the bystanders' ears was lost in space.

The "hop" was a whopping success. Dubbed *Comet I*, the craft demonstrated the airworthiness of the world's first pure-jet-propelled commercial transport plane. Within the year, a number of these Comets were flown for 750 hours

and logged a total of 340,000 air miles, including twelve overseas development flights that tested air traffic controls, operating techniques, meteorological conditions, radar and other navigational aids. Not until then did the British Overseas Airways Corporation feel ready to accommodate passengers.

Advances of this sort prompted S. Scott Hall, Director-General of Technical Development of the British Air Ministry, to throw out his chest justifiably: "Every Britisher today is proud of our new civil aircraft. With almost dramatic suddenness we have taken the world's lead in the design of passenger aeroplanes. . . ."

THIS BRITISH BID for the world aviation market has steadily been cutting into a once exclusive American territory. As far as the British aircraft industry is concerned, its civil and military exports have risen from $45 million to $120 million in the years since 1946, with the leading role being played by British jet-transport designs. Some thirty-three countries now use British-manufactured aircraft engines. Although American industry supplies many more countries than that, the British bid for strong markets and air-spheres of influence is throwing many American executives into a dither.

Already, the British have a long jump on jet design and production for commercial use. Farsighted planning, carefully kept under wraps, prompted the British Air Ministry in 1942 to set up a committee to study the post-war requirements for civil transport aircraft. All this occurred when the war was at its peak and no one could tell what the future would bring—not even the British! As the studies progressed, the British Government shouldered the cost of engine development, which at first was intended for military use, while large manufacturers like de Havilland took care of the frames for civil aircraft. Since the construction of flight models—the so-called prototypes — can run into seven figures, the boost given to the aircraft industry by government subsidies for most of the civil prototypes has paid off handsomely in the jet race.

None of these ingredients—government subsidy, active planning for commercial use of the jet plane, or prototype building—was part of the American aircraft industry. Our manufacturers were busy filling military jet demands and saw no need to risk capital on an uncertain commercial, post-war market. These are the reasons why no American jetliner exists today.

But, to show that it, too, is in the race now, the aircraft industry in America is being forced to lay some of its jet plans on the table, long before it intended to do so.

Unlike the public, the industry is painfully aware of the many hurdles and rare short-cuts to jet production. A look at some of the problems which so far have slowed conversion from conventional commercial aircraft design should prove an eye opener.

Preliminary to commercial operation, there are costly stages of prototype construction, flight-testing and constantly adjustable production tables. Years of planning and working are involved.

As for jets, according to William Allan Patterson, President of United Air Lines, the "tremendous equipment expansion ahead presents a rather complicated problem in financing. Today the price of the jet is in the conversational stage, but even that conversation is staggering. When you talk about airplanes costing $3.5 to $4 million, you wonder how you are going to handle the program. The value of United Air Lines' fleet of sixty-one Boeing-247 airplanes in 1934 was $3,400,000. Now we are talking of one unit that might cost more than that entire fleet."

BUT EVEN if our aircraft companies had jetliners ready, they would have to meet the competitive price of British manufacturers who have lower-cost production advantages. As it is, to manufacture jetliners at outlays of hundreds of millions of dollars without a definite market is running a high financial risk.

Jetliners must be built to carry at least eighty passengers, else they are not practical or profitable commercially. The British *Comet I* carries fewer than forty passengers, but the next liner is designed for twice that number.

In order to make money, the jetliner must fly non-stop at least 1500 miles, but only about 15 percent of passengers go beyond that distance.

These liners should travel at about 450 miles per hour, cruising at an altitude of 40,000 feet. At that altitude, it has been discovered, there are "jet air currents" whose strong action either helps or impedes flight. As yet, we have much to learn about them.

THE TREMENDOUS noise and crash dangers are jet problems that still remain "as fundamental, as far-reaching, and as portentous as the challenge of flight itself." That is an official view of Austin J. Tobin, executive director of the Port of New York Authority, which is responsible for airports in that area. Latest indications are that jet exhaust-roar due to its powerful engines cannot be toned down, and airport authorities may not permit jet flight at all unless that difficulty is solved.

Airport revamping or new construction to accommodate jetliners

that require up to 10,000 feet of runway may make it impossible for jet flights to become a reality in the United States before 1957. Add to that the necessity for overcoming residents' resistance to the proximity of jet take-offs, the need for giving jetliners landing priority over conventional craft because of the enormous fuel load that is quickly drained by flight and other trouble-loaded considerations — and the difficulties are staggering.

Vast demands by our Air Force have restricted the sights of the American aircraft industry. The use of a superb pool of the country's physicists and mathematicians under the wing of the National Advisory Committee and financial assists from the Air Force to Douglas Aircraft has resulted, for example, in the supersonic X-3 whose spearfish-like body and stubby wings ease it through and beyond the sound barrier at a rate of 740 miles per hour. But all this know-how has not as yet given us commercial jet craft.

SMALL WONDER, then, that the formidable combination of finances, production, commercial, military and airport problems has acted like a deadweight on American jet-for-passenger planning. Here is not so much a problem in know-how, but a problem of timing production efforts effectively and meeting many demands beyond purely technical ones.

But, one reason that American airlines can't afford to drag their wings in the jet race is the traveling public, whose airborne imagination demands more than routine flights. After a trip on BOAC's *Comet,* one passenger rapturously described the blue bowl of night and the brilliant display of stars way up at 40,000 feet, and the smooth, vibration-free flight which permits the passenger to balance a pencil on its end while the plane is in motion. With five refueling stops at Rome, Beirut, Khartoum, Entebbe and Livingston, passengers are winged from London to South Africa's Johannesburg in about twenty-three hours — sometimes at speeds of 525 miles per hour. This is eleven hours shorter than the conventional passenger-plane time—and the fare for this 7000 mile trip is the *same* as the normal fare.

The British aircraft industry has already sold about sixty of these jetliners, and three times that number are in the negotiation and talking stage. The cost of the *Comet I* is $700,000, while the next improved liner will come nearer to $2 million. All this has come about by a combination of government subsidy and loans, as well as capital risks taken by companies like de Havilland—which stood to

lose some $15 million on the first model it put into production.

WHAT IS HAPPENING by comparison on the American jet front? One thing is sure: the commercial jet possibilities are not being ignored. A lot of secrecy, however, shrouds the picture. This much is known of intentions and developments:

- Boeing Airplane Company has announced its intentions to fly jet airliners by mid-1954. Whether that is a promise for tourists and in what number liners will be available is uncertain.
- Douglas Aircraft Company has made announcements similar to Boeing's but has made no promises until 1957.
- Lockheed Aircraft Corporation has sets of jet drawings on file but no plans even for starting on a prototype.
- United Airlines is engaged in a project called "Paper Jet," which studies physical conditions of flight—winds, altitudes, temperatures—and operational conditions. Regular New York to San Francisco routes are flown daily — on paper, that is. Since the project is to continue for at least two years more, the jetliner is still not in sight here.

Robert Ramspeck of the Air Transport Association of America has presented a dark picture of the industry's dilemma to Congress. Industry, he insists, is not strong enough "to gamble twenty or thirty more millions," and is nowhere near Canadian and British jet-transport developments.

Things have come to such a pass that now the major part of American aircraft industries is in favor of Federal aid and loans for the development of jet transports. Despite the claim that this system would not be a replica of British subsidies for its industry, the two plans share many similarities.

Even if this aid should be forthcoming, since bills for that purpose are up in Congress, there still is no guarantee that our aircraft manufacturers will have an easy time gaining ground on the British, who have an eight-year jump on jet manufacture. Commercial flights have been in operation for more than a year. British engine firms have an effective apprentice and career program — something America lacks.

As Anthony Vandyk points out in *American Aviation* magazine, this permits them to build up and tear down in a hurry jet prototype engines, which, after all, form the heart of the new transport.

BY THE TIME we can get a jet transport into the air, Britain will have *Comet IV* in production and the ability to substitute any num-

ber of new designs resulting from constant experimentation. Even more important is their jet price, which may be a million dollars below that of the American liners.

If this is the case, why not *buy* British jetliners? This suggestion is enough to make our aircraft manufacturers shudder. They fear that once a few are introduced, American passenger demands will force the importation of more, consequently pushing some of our manufacturers out of business.

Pan American World Airways has already placed an order for three British jetliners. These new models, however, are not yet in production and must be certified as airworthy by the United States Civil Aeronautics Authority before they can be used commercially. All this will take another two years.

MEANWHILE tempers flare on both sides of the Atlantic. Britons are aggressively charting markets for their biggest "superiority" project since the creation of Her Majesty's Navy. And some Britons even misconstrue our CAA's desire to know more about the new jetliners—which are not as yet in the air—as stalling tactics. On our side, W. A. Patterson of UAL vocally represents jet opponents: "Under no economic circumstances could we justify purchase of the British *Comet*."

Despite this opposition, the use of jet passenger liners in the United States is only a matter of time. Whether the foreign or domestic manufacturers will win out is something that hangs in the balance. Whatever else may be said, the jet race will become hotly competitive in the next few years. Since the stakes are in the millions of dollars, some weaker manufacturers will be forced out while the stronger will open new horizons for production on the ground and flight in the air. ■

College on the Installment Plan

GOOD NEWS FOR PARENTS whose offspring are college-bound this fall: you no longer need worry about the tuition taking a big cut out of the September budget, because there's a plan for financing college education, which spreads payments over eight installments during the academic year.

About 400 schools and colleges throughout the country belong to an organization known as Tuition Plan, Inc., whose headquarters are at 347 Fifth Avenue, New York. The plan works simply: TP will pay the college bursar in full at the beginning of the term, and, for a carrying charge of 4 percent, permit you to repay in eight equal monthly installments. Started in 1938, with thirty parents taking advantage of the service, Tuition Plan eased financial burdens for over 10,000 families during the past academic year.

WHY DIAMONDS COST SO MUCH

by Morrison Colladay

NOT LONG AGO, a famous Fifth Avenue jeweler ran a sale on diamonds at special bargain prices ranging up to $150,000.

Prices like these spell glamor, and glamor has always been expensive. Diamonds just seem to go with *women* and *love;* and this country buys up 75 percent of the world's output. Barney Barnato, one of the world's great diamond merchants, was fond of saying, "Women are born every day, and men will always buy diamonds for women."

Today, moreover, these chunks of carbon crystal continue to take on luster as investments. With the value of national currencies flip-flopping with every political crisis, diamond prices have advanced in recent years over 100 percent with no sign of a stumble in the world market. What, besides sentiment, has made this possible?

The basic diamond market rests in the hands of one of the most deeply entrenched monopolies the world has ever known.

The world's finest diamonds still come from South Africa. The several thousand black men who toil in such mines as Premier, Bultfontein and Jagersfontein bring about fifty thousand tons of blue ground to the surface every day. Washing this amount of ore yields about 10,000 carats of rough stones.

Each day the raw diamonds from these mines are packed and dispatched to the headquarters of the diamond syndicate in London. This syndicate is De Beers Consolidated Mines, which directly and through its affiliated compan-

ies conducts 95 percent of the world's production and sale of diamonds. Government and privately owned mines in South Africa, the Belgian Congo, Portuguese Angola, Sierra Leone and the Gold Coast all market their stones exclusively through this syndicate.

HOW ALL THIS came about makes a classic case history of the way one man combined commercial with political strategy, and casts fresh light on the turbulence of present-day Africa.

When empire-builder Cecil Rhodes died in South Africa in 1902, he left his De Beers Consolidated Mines in control of 90 percent of the diamond works there. But this was only the beginning of the story. In the same year, Ernest Oppenheimer appeared on the scene.

Oppenheimer was one of six sons of a cigar dealer in a small German village. He went to London for a job with a rich diamond broker, Anton Dunkelsbuhler, a member of the first diamond syndicate. This was a group of ten London merchants who had a contract with De Beers Consolidated Mines to market all its output.

When twenty-two-year-old Ernest had learned how to judge stones, Dunkelsbuhler sent him to South Africa in 1902 to handle his purchases there. He accomplished nothing to attract wide attention until the African gold rush fifteen years later. By that time he was a partner in the Dunkelsbuhler firm.

Oppenheimer had learned of new gold fields that he thought promising and wanted to get control of them. When the Dunkelsbuhler firm refused to help, he went to London to see if he could raise the capital needed. In the city at that time was a mining engineer who afterward became President of the United States. In some way Oppenheimer managed to meet Herbert Hoover and outlined his proposition. Convinced it was a good thing, Hoover introduced him to the London office of J. Pierpont Morgan.

MORGAN extended Oppenheimer credit for one million pounds. He gained control of the gold fields in the name of a corporation to become famous, the Anglo-American Corporation of South Africa.

Oppenheimer was knighted by King George V for his services in World War I. When the South African government wanted someone to take over operation of the diamond fields in the former German colony of Southwest Africa, Anglo-American was selected.

Mr. Colladay, free-lance writer specializing in economics, is a regular contributor to CHALLENGE MAGAZINE.

Sir Ernest now applied for admission to the London diamond syndicate. Since he was in a position to break the monopoly, he was admitted as a matter of course.

When the De Beers contract with the syndicate came up for renewal, Oppenheimer disputed with the other members and walked out. He sailed immediately for South Africa and bid for the De Beers contract himself, stressing the advantage of having all the stones produced in South Africa marketed by one concern. De Beers accepted.

As a result, the members of the old syndicate could get no diamonds and seemed likely to be forced out of business. Oppenheimer, always generous when he had the upper hand, invited them to form a new syndicate with him. They did so gratefully.

Next, suspecting De Beers might withdraw the marketing of their diamonds at the expiration of his five-year contract, Oppenheimer began to buy up all De Beers shares he could get hold of. When he had acquired 200,000, one-fifth of them, he went to the De Beers' directors and demanded a showdown. They reacted by asking him to join the board. Three years later he became chairman, thus controlling both the production and marketing of most of the diamonds in the world.

Under Oppenheimer, De Beers also took over Consolidated Mines, the former German fields, and bought out all partners in the London syndicate. Oppenheimer was responsible for the Diamond Control Act of 1926, under which the syndicate markets all the stones dug in the government mines of Africa's chief diamond-bearing areas.

THE SYNDICATE faces some hazards, of course. Diamonds are found in all parts of the world. A valuable stone was picked up in Virginia not long ago. Mines in Arkansas have been producing off and on for years. There is always a chance of great new deposits being located in Africa or South America. When and if this happens, the syndicate will have to protect its market by buying all the stones offered.

It had an experience about twenty years ago that nearly bankrupted it. Diamonds were discovered in Lichtenburg and Namaqualand, and $75 million worth were dumped on the market for what they would bring. The syndicate bought them all and stored them away. They were sold gradually at prices the syndicate thought proper, but it took ten years to get rid of them.

It is rumored that the syndicate keeps a fund of $50 million in cash to handle any similar new emergency.

It never runs the risk of flooding the market. Some of the largest and most productive South African mines have been closed down for years. When the world-wide depression of the Thirties started, the syndicate shut down all its own mines and withdrew its entire stock from sale.

Generally speaking, this policy remained in effect until the beginning of World War II when the price of diamonds began to skyrocket. They were the only form of property that panicky refugees could smuggle out of the invaded countries.

The syndicate-owned Diamond Trading Company sets its prices arbitrarily on gems. The 300 or so world-scattered diamond cutting and polishing firms who are its buyers have no opportunity to bargain. Each notifies the company in advance how much he wants to invest. Some time afterward he is informed that on a certain date "Goods will be shown at St. Andrews House, 32-34 Holburn Viaduct, London, E.C.I.," the headquarters.

Since 1940 the syndicate has had troubled dreams because of a young Canadian geologist, John Thorburn Williamson. He is the discoverer of a fabulous diamond field in Tanganyika. Producing an estimated $5 million worth of diamonds a year, he has proved a stubborn threat to the syndicate's mastery of the market. Recently, however, he signed a new and apparently satisfactory contract to sell through the Diamond Trading Company.

Could diamonds be manufactured artificially? The ones we find today have been formed by the tremendous pressure and heat of volcanoes. Chemists have been able to crystallize carbon but never in big enough pieces to sell. It has not yet been possible to duplicate volcanic conditions.

Now, however, inventors must be wondering what would happen if a small atomic bomb were set off in a confined mass of ordinary carbon. Would nuclear fission do the job? Would girls then demand atomic engagement rings? Would the syndicate still control the market? ■

Words to the Wise

He who will not economize will have to agonize. —*Confucius*

No man is rich whose expenditure exceeds his means; and no one is poor whose income exceeds his outgoings.
—*T. C. Haliburton*

Beware of little expenses; a small leak will sink a great ship.
—*Benjamin Franklin*

Home Air Conditioning for the Millions

Touch control of our indoor weather seems on the way, but one-room air conditioners make up most of the business now. Here's the what, when and why of this new leaven in our home life

YOUR NEIGHBOR is vacationing in his living room this summer. Comfortable and contented, he reclines in his cushiest armchair and catches up on the latest Horatio Hornblower sea epic. Glancing over his shoulder, he notices the family across the street struggling with luggage and preparing for a long hot drive to "the mountains."

He takes a deep breath of relief and thanks the little box jutting out of the window.

Home air conditioning units—one-room models—will be operating in about one million American homes by the end of this summer. Factories are turning out well over half a million of them this year alone. And even this isn't satisfying the consumer. By last April, leading manufacturers such as Carrier and York had already fallen as much as 40 percent behind demand.

Big retailers like Wanamaker of New York and Marshall Field of Chicago, mail order houses like Montgomery Ward and Sears Roebuck, your neighborhood appliance store—they're all taking more

orders for one-room air conditioners than they can fill without weeks of delay. They're charging an average $370 each, however, and at this price their sales will soon level off.

WHEN WILL most Americans be able to acquire a top quality room conditioning unit at a price they'll be willing to pay?

Long strides have been taken since Willis H. Carrier, a young research engineer in the employ of the Buffalo Forge Company of Buffalo, invented the first air conditioning system in 1902. With Irvine J. Lyle, a fellow engineer, Carrier set up an air conditioning subsidiary for his firm in 1907. Seven years later they founded the now giant Carrier Corporation with a capital of only $32,000—their savings plus the amount they were able to borrow.

In the Twenties the air conditioning field expanded rapidly with many new entrants elbowing for a competitive edge. They turned most of their efforts, however, to industrial refrigeration and dust-elimination.

What is still known as the "comfort trade" did not come into its own until later. Room units and year-round central air conditioning systems were just appearing on the market when the Depression wiped out demand and delayed expansion for a decade. Then World War II loaded down the industry with military orders.

Not until 1946 did the large manufacturers make a serious bid for home business. Room units caught on immediately and have continued to sell briskly despite a slight rise in price due in part to improvements.

The Detroit Edison Company, on the basis of a recent survey, announced that 76 percent of their home air conditioning buyers are home owners and fairly well off financially. This probably holds true for most purchasers, yet many of moderate income are budgeting for air conditioning ahead of other conveniences they'd like to have. What should they look for to get the most out of their money?

With a one-room unit a family can count on at least one place in the house to relax in cool, dry comfort. In buying, it must make sure its set is strong enough.

Cooling capacity of an air conditioning unit is measured in horsepower—with one horsepower approximately equal to the effect of one ton of ice melting over a twenty-four hour period. Capacity of room conditioners varies from ⅓ to 1 hp with the ¾ hp model the most popular for an average-sized (20x20) room. Console units, which rest on the floor, range from 1 to 2 hp with prices as high as $1000.

The prospective buyer should think beyond the size of the room he wants cooled, and consider such factors as the number of windows and natural air outlets, the type of insulation, the probable number of occupants and so forth. With the growth of plug-in models, the overloading of electric circuits becomes a special problem, particularly in older houses not wired for today's current-gulping array of appliances.

BEYOND COMFORT, what benefits may be expected from a home air conditioner?

A little-known fact about air conditioning—and one that played an important part in early industrial developments—is that it eliminates 97 percent of the dust in a room and reduces humidity by as much as 10-12 percent. This may interest the housewife worried about cleaning bills for slip covers, drapes and rugs.

Dust elimination and humidity reduction attract many, however, primarily in the interest of health. To asthma sufferers and victims of hay fever, air conditioning is no luxury.

The wide belief that air conditioning causes chills—an idea that gained currency among moviegoers who did not change dress—has been discredited. And a poll by the York Corporation tells us that physicians have air conditioning, usually in their consulting rooms, in greater proportion than the rest of us.

A much more serious complaint, and one the industry must still overcome, concerns noise. The room unit, while shutting out the hubbub of the street, generates a buzz of its own that many users find annoying.

But, as the Detroit Edison survey discovered, the main grumble has to do with price. While most retail stores have installment plans stretching anywhere from two to eighteen years, and while some models can be self-installed to save about $35, air conditioning remains, for most of us, a pleasant expectation for the future.

THE MORE REVOLUTIONARY development in home air conditioning will be the growth of central cooling *and heating* units. A central unit, usually located in the basement or attic, provides the entire home with filtered air of the right temperature by means of air ducts—winter and summer.

Intended for homes costing more than $10,000, present systems vary in price from $1000 to $3000, depending on the type of house. Costs tend to be least on new construction projects where allowances may be made in design.

With an ordinary oil or steam heating system for an average-sized home costing about $500,

many buyers of new homes consider the extra $1000 or so for an air conditioning system very worthwhile. Fuel savings alone for a seven-room house situated in Indiana's climate, for example, would amount to $200 in one winter's fuel bills.

So far, while such "quality" builders' groups as the National Association of Home Builders estimate that as much as 48 percent of their new homes are equipped with central systems, the proportion of new homes so equipped for the country as a whole does not exceed 2 percent.

There are at present more than 40 million American homes, old and new, lacking air conditioning. But even if the industry keeps expanding at the rate it wants to, there will still be only 4 million room conditioners in American homes by 1957—rather less than 10 percent. It will be at least another five or six years before air conditioning becomes as common as television is today.

HERE, as in the case of washing machines, refrigerators and all the workaday appliances familiar now, the average consumer must bide his time while manufacturers experiment on those who can afford it, until they're ready for mass output at a fraction of the early cost.

They ought to be able to count on a continuing demand. Meteorologists tell us our climate is due to become warmer for the next 30,000 years! ■

In the Crystal Ball

RECENT DEVELOPMENTS across the nation, which just *might* have economic significance in the years to come:

• In Champaign, Ill., a professor of architecture and his students are working on a project which, they say, will make possible "weather-conditioned" cities of the future. The plan hinges upon plastic pillows, helium-filled and joined to make a mile-high floating dome. This dome would let in the sun's light and heat — but filter out the undesirable rays. All concerned admit that the plan presents many problems which must be worked out.

• In New York, a panel of department store buyers, psychologists and manufacturers decided officially, that boys, like girls, follow a style leader. Now, with a clear conscience, manufacturers and retailers can concentrate on producing and selling a few popular styles. Previously, the theory was that most boys dress with no thought to what the other fellow's wearing, and manufacturers wasted time and effort in producing a wide variety of boys' styles.

This might look like a fashion report in "Vogue"—but it's a Chrysler ad currently appearing in mass magazines

In a campaign designed to appeal to women displayed it from coast to coast in a favo pany made sure women in each particular ci

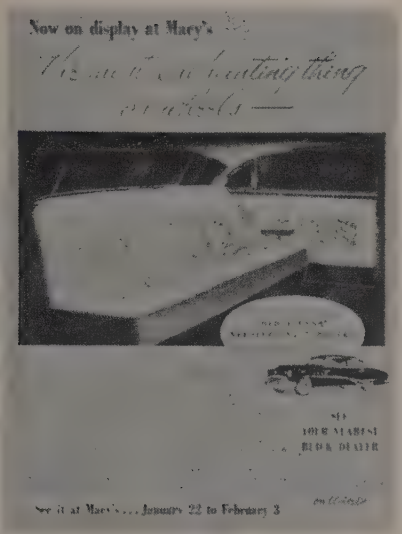
Ford works with department stores all over the country to promote Motor Mates, coats designed to match the new Fords

It's a Man

THIS FACT IS gradually being a mitted by everyone today—eve the automobile manufacturers.

They won't make a direct stat ment to this effect, of course. Instea they release this cloud of statistics

There are more than 32 million ca owning families in this country. In percent of these families, women driv About 70 percent of the entire usa of passenger automobiles is for hous hold shopping trips; traveling to a from work ranks second. Women are



upholstered a Roadmaster in needlepoint tapestry and
athering place—popular department stores. The com-
of this important fashion event by running a chic ad

This is the high-fashion announce-
ment of the opening of this year's
GM Motorama at the Waldorf

World ... but women run it

ant factor in 80 percent of all
rchases.

only that, there are more women
men in America today. Women
percent of all income tax returns
ontrol 60 percent of the nation's
accounts. Retailers estimate that
n make 85 percent of department
purchases.

o manufacturers translate these
ics into action. And the result
t auto advertising has changed
cally these past few years. In
place of the "nuts-and-bolts" ads of the past—highlighting much chrome and grillwork—the ads of today are sophisticated, concentrating on colors and high fashions designed to appeal to women.

Now then—the acid test for advertising: Does it pay off? Does it sell cars?

"It certainly does," one advertising director said, "because everybody's ads show the feminine influence and everybody's selling cars." ■

Let's take a look at how commodity speculation works

The Egg and YOU

ARE YOU A SPECULATOR? You say you aren't — never have been, don't intend to be—and even think that speculation ought to be abolished! Let's check up a little on this.

Today, when you glanced at the weather report in your morning paper while waiting for your wife to serve the coffee, what did it say? Said rain, didn't it? You took a look out the window at the sky and said, "I don't think it's going to rain"—and you didn't take your raincoat to work. Sort of speculated on the weather, didn't you? You had on your new grey flannel suit, too. Bought it last week—didn't need it immediately, but the price looked right—and the clerk said it was quite possible prices would go up. Well, if prices do go up, that buy will have been good speculation.

"Well, I know," you say, "but that's not the kind of speculation I mean. I mean *business* speculation—we just don't believe in it in our business!"

But what kind of business are you in which has no speculation?

Take the great pharmaceutical companies, for example, whose effi-

cient operations have saved countless lives through development of new drugs. How many millions of dollars were spent on speculative research?

Speculative money also plays another role—that of enabling ambitious planners to hack out new paths. Look at that famous Yankee creation, the American clipper ship, which plowed its way south around the Horn and north through the uncharted waters of the Pacific from about 1790 until steam power replaced it half a century later. Those who put their money into such speculative voyages helped to open the Orient to trading and brought the country goods and wealth.

IN THE EARLY 1800s, canals pushed their way slowly west and south from the Atlantic Coast, opening territories, creating towns and bolstering the strength of a young nation. Big people and little people put their hard-earned dollars into canal company shares and later into railroads. Speculative? Of course. But the stake was a nation's growth.

Not all of these speculations were successful. Many a clipper never returned, many a canal soon had a grass-covered tow path, and many a railroad foundered in its financial difficulties.

"True," you say. "But how about the speculation in market commodities like grain, cotton, eggs, and butter; what good does that do?"

How vital this kind of market commodity speculation is to an economy was obvious a long time ago. Speculative ventures in food are mentioned in the Bible as part of the ancient world's economy; the Romans encouraged strong speculative markets to stimulate trading activity; and the bankers of Fifteenth Century Venice speculated heavily in trade accounts, helping to bring enormous commercial advantages to Italy.

Regardless of failure or success, these illustrations simply prove that any type of speculation is itself a business. Like any business, success in it is based on many things: good judgment, sound information plus the ability to interpret correctly.

ALL RIGHT, let's say you are going to be a *commodity* speculator trying to make some money. Since everybody—from food manufacturer to consumer—needs eggs, you decide to speculate by buying a carload of eggs! To find an answer to "what good do you do" by such a speculation, we should follow the deal through from the start.

The start, of course, is with Biddy, the hen. She lays the eggs, and a neater trick has not been thought of. But being female, she

is temperamental and doesn't lay an exact number all year, doing much better in spring than in fall or winter. Let's say it's July. An egg handler—a man in the business of collecting, grading and packing eggs for shipment to large city markets—has been shipping five carloads a week, selling them for cash for immediate delivery. This month, however, the farmers who supply him offer him eight carloads. Farmers in other sections of the country come up with more, too.

The handlers buy all the eggs because they know that there are two potential takers — the consumer and the food manufacturer. One gets fresh eggs for his table; the other uses storage eggs as ingredients for food products like bread, mayonnaise, candies.

SUPPOSE the handler finds that he has surplus eggs after filling the demands of the consumer as well as the food manufacturer markets—what then? The handler has got to pay the farmers for those carloads of eggs *now;* he must pay for storage charges and take the risk that prices he will get in the fall may be a lot less than he originally paid. Therefore, he is forced to take "insurance" measures. This he does by charging the wholesaler more in July— at a time when eggs are plentiful! That extra amount charged is then passed on to you, the consumer.

Egg-o-mania

BIDDY THE HEN has been working overtime recently — and a good thing, too. Back in 1933 when eggs cost only 29¢ a dozen, the average American ate 295 eggs a year. Today, with egg prices fluctuating around the 70¢ mark each of us eats an average of 409 eggs a year — with the scrambled variety the most popular. Since the population of the United States has increased by 30 million in the past generation, we are now eating about 25 billion more eggs than we did in 1933.

Fortunately, scientific advances have made it possible for us to cope with possible shortages. Biddy the Hen now lays 146 eggs a year, instead of the miserly 91 she produced twenty years ago. If egg production had remained stationary, we might be asking by now: which came *last,* the chicken or the egg?

But, maybe the handler *can* get rid of that risk so that he won't have to wait until the fall to see what happens. To find this out, our handler calls his broker at the Chicago Mercantile Exchange. Established in 1919, it is the world's largest futures market for onions, butter, turkeys and potatoes, as well as eggs. The eggs are traded in carload lots as a "unit."

Our handler's broker will tell him what prices are being bid on eggs for future delivery—October, November or December, for example. You may ask why people are bidding for eggs that far in advance? Two reasons: they are

wholesalers or food manufacturers who will *need* the eggs and want to be sure that they have them; or they are speculators who, for a number of reasons, think that prices will be higher then, and they will be able to make a profit.

Our handler, being told by his broker that there is a bid in the market high enough to cover his cost plus storage, and maybe a small profit, tells the broker to *sell* three cars. Meantime you, having decided to speculate in eggs, have told your broker to buy you three cars. The two brokers call out their orders on the huge floor of the Exchange—one to sell, one to buy. The trade is made and you own the handler's three surplus cars. His price risk has been transferred to you, and you hope to make a profit.

Without the thousands of commodity speculators who broaden sales and keep the market active, our handler would have little chance of getting rid of his risks. In addition, the greater the number of speculators who trade in commodities the narrower will be price fluctuations. This is a market principle that should prove interesting to consumers.

In that way, the speculator emerges not as a villain but as a man who fills a market need. Of course he hopes to show a whopping profit for his risk-taking. But, regardless of profit or a highly possible loss, the speculator will have helped to keep moving the vast and complex marketing system that is a vital part of the world and American business. ■

International Economics

In Leicester, England, a fourteen-year-old schoolboy found that the price of speculation is constant vigilance. He had developed a profitable business selling insurance to his friends: they paid him a penny a week and collected three times that amount if they were kept in after class. Becoming aware of this little scheme, schoolteacher Leonard Topping promptly kept the whole class after school in an effort to "break the bank." The wily schoolboy, however, was one step ahead of him. He had figured Topping as a "bad risk" and had stopped giving insurance on his class the week before.

A drama critic behind the Iron Curtain recently came up with another Communist "first" by being the first man in 350 years to find Marxist propaganda in Shakespeare's *Romeo and Juliet*. Far from being a mere love story, the critic explained, the play shows how the feud between the great capitalist families of Montague and Capulet served to unite the entire proletariat of Verona against them — a typical instance of the class struggle.

How to Stay Solvent

living within your income

IN THEIR NEW BOOK, *Managing Your Money* (Henry Holt & Company, New York, $4.95), financial experts J. K. Lasser and Sylvia F. Porter show you how to grapple with your budget—and emerge the winner. They also explain in detail what you need to know about income tax returns, insurance, investment, credit and home financing.

Here are some practical suggestions by the authors on how to tackle the biggest economic problem of everyday life—how to live within your income, in case you're not already doing it.

- Reduce rent. Rent rooms you are not actually using; help pay rent with services to the landlord; find an older house you can fix up; accept a less convenient—cheaper—location.
- Reduce fuel bills. Add window stripping and insulation; clean heating plant; don't waste lights or hot water.
- Reduce food bills. Learn how to cook and shop properly. Raise a garden and preserve the surplus for winter use.
- Reduce clothing bills. Buy garments only after deciding that they can be worn for a variety of occasions.
- Reduce medical bills. Don't postpone diagnosis and treatment. Learn about group insurance plans for medical care.
- Reduce recreation costs. Take advantage of public parks, beaches, museums; use public library; entertain at home.
- Reduce service bills. Substitute letters for long-distance calls; do your own personal grooming, cleaning. ■

What our nation's money supply is; how it rises and falls; what five means the Administration has at hand for controlling the money supply in coming months

OUR PIVOTAL MONEY SUPPLY

And Buying Power Ahead

by Hedy D. Jellinek

"TEN DOLLAR BILLS as usual?" The secretary on her lunch hour nods to the bank teller behind the grill and wonders, as she cashes her paycheck, how far the money is going to stretch. It's unlikely that she is thinking of headlines appearing the same day about "Federal Reserve Policy," "Interest Rate Outlook" and "Tightening of Credit."

Yet these headlines concern the dollars and cents she is holding in her hand. Nothing goes on in the seemingly far-away land of finance that doesn't affect the amount of money we have and what we can do with it. Today, under Secretary of the Treasury George M. Humphrey, we're hearing much about control of the money supply in the interest of a stable economy.

To keep up with this news it's important to know what's really meant by "the money supply."

There are two kinds of money: pocket money, or currency in circulation; and bank money, or deposits held by banks. Certain other assets might be included in a wide definition of money, but these are the ones that count here.

Currency in circulation includes paper money and coins. Most paper money consists of Federal Reserve notes, while silver certificates and United States notes account for the rest. The twelve Federal Reserve Banks act as agents for the Treasury in distributing currency in their individual districts. They deal directly with the private banks through control of their reserves of currency, as will be brought out later.

Bank deposits on the books, however, make up by far the larger part of what we consider to be our money supply. This comes about because we deposit much of our

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pocket money and make many of our payments by issuing checks against our deposits.

Whenever a bank lends money, furthermore, it usually "creates" a deposit for the borrower's use.

Ups and downs in the quantity of money are major causes of inflation and its opposite, severe deflation. Everyone agrees that both these extremes must be avoided. It's the task of preventing severe deflation that occupies the Administration's fiscal heads during this period of partial conversion toward a peacetime economy.

Which means of money control may they choose from?

There are five: government spending; taxation; direct curbs on prices, wages and rents; public debt management; Federal Reserve control over banking and credit. Many disagree on the respective merits of these measures. Each has special advantages that apply more in some cases than in others.

Government spending, if it brings into play money which people would not have otherwise spent, can inject fresh spending power directly into the economy. It can be a quick and effective remedy against harmful deflation. When the government authorizes a big-scale construction project, for example, it provides building firms with new business and income. These firms hire new workers who buy more goods. This sets off a chain reaction of business activity in many fields.

A reduction in government spending on the other hand (if not prevented by defense needs or political consideration) may offset inflation. It does so by removing some excess purchasing power from the economy.

Taxation as a means of money control works the other way around. Well-timed tax cuts, at an appropriately early stage of a decline in business, can help prevent a serious recession. Less taxation means more cash for businessmen to use in stepping up their lagging activities. It also means bigger paychecks, which boost sales all around.

In contrast, when there's too much money around for the supply of goods, as in a period of mobilization, a big tax bite goes far to reduce excess purchasing power and stem the tide of inflation.

Wage, price and rent controls are familiar territory. These direct curbs on inflation are used primarily as emergency measures in times of defense mobilization. In peacetime, they generally are regarded as supplementary aids—to be avoided if possible—to be used in conjunction with credit controls.

Last spring most such controls went out the window because of the present Administration's pre-

ference for indirect controls. By that time they had become largely unnecessary anyway, with supply beginning to outstrip demand in many lines and scores of items selling below price ceilings.

Public debt management involves the way the government juggles our huge national debt in relation to the nation's money supply. It's a highly technical field, not widely understood. However, the Treasury's policies as to when it borrows, with what type of securities, from whom, for how much interest, and for how long — all strike close to home.

Last April the Treasury issued a new 30-year bond at a 3.25 percent interest. This was widely quoted as a "tight money" move. Why? Because those who bought the new bonds took money out of their banks to pay for them. This left less money to these banks for private investment and lending. This action by the Treasury was intended to be anti-inflationary, if not deflationary.

Once the current boom slows down noticeably, a reversal of this policy will be in order. When recession looms, lending to business should be encouraged as much as possible. One way the Treasury might do this would be to make government bonds less attractive to investors by lowering their rates of return. This would persuade insurance companies, trust funds, large corporations and other nonbankers to turn their "governments" into cash and invest in business instead.

Monetary policy of the Federal Reserve System has experienced a sort of renaissance of late. It has been heralded as a reversal of New and Fair Deal practices which placed greater emphasis on other tools, notably public debt management by the Treasury. The fact is, these two policies are interrelated. Probably we'll need both in the months to come.

How does monetary policy work? In our modern economy, it means indirect control of credit. The impact of Federal Reserve action on what we earn and spend stems from what it does to encourage or discourage lending by banks. The increase or decrease of this lending, again, leads to expansion or contraction of our money supply.

The Federal Reserve System exerts this influence through supervision over bank reserves, which are the amounts of currency and other liquid assets which banks hold in their vaults. It is their individual reserves which determine to what extent banks can pay out cash to such people as our secretary with her pay check, as well as the extent to which they can lend money or invest in securities. Thus by controlling re-

serves the Federal Reserve System indirectly controls the supply of money available for loans and investments. By making less money available it can effectively curb inflation.

Does it follow that the reverse —making more money available— can check recession? Not necessarily, for even when banks are more than willing, as well as able, to lend money, businessmen won't always borrow it.

At present, the law requires a bank to hold uninvested liquid assets, as reserves, equal to from 14 percent to 24 percent of its demand deposits—according to where the bank is located. If the Federal Reserve Board ups the reserve requirements, this theoretically results in a contraction of the money supply. Any change in bank reserves, up or down, has an impact on lending and investing activity of great scope.

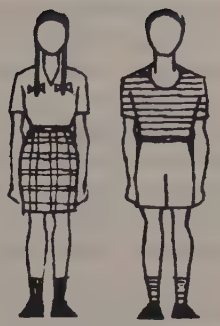
HERE'S HOW the Federal Reserve System operates:

- By open market activities—the buying or selling of government securities. If it wants to reduce lending by cutting bank reserves, the Federal Reserve sells government securities. A purchaser draws a check against his bank deposits in favor of a Federal Reserve bank. This reduces the reserves of his bank by the amount of the check.
- Through the "discount rate" —the interest rate it charges when it lends money to a bank. Such loans enlarge bank reserves. To discourage expansion in an inflationary period, the Federal Reserve makes these loans more expensive by raising the discount rate, and vice versa. Of course, lowering the rate won't affect banks that have no intention of borrowing anyway.
- By raising or lowering legal reserve requirements. This means changing the proportion between the reserve of uninvested funds and the deposits held by a bank—a drastic measure rarely used.

It becomes clear that some techniques of sharp effectiveness in curbing inflation may not work half as well in a recession. To sum up, these are the methods of controlling the money supply that may be used to meet the recession that some think may come. These are the tools: government spending, tax cuts, public debt management that encourages business lending, and to a lesser extent, Federal Reserve monetary policy.

How and when these tools are employed will determine the buying power of our pay checks in the months—and possibly the years—to come. ■

GOOD FOOD +ENOUGH MONEY =POOR DIET?



too many are eating too little of the right types of food, warn nutrition experts!

WHEN IT COMES TO taking care of the health needs of his stock, the farmer knows that it isn't the fancy feed bag, the appearance, the price or even the taste of the feed which counts. He realizes that the importance of any food lies primarily in its nutritive value.

The farmer's grasp of dietetics is often superior to that of the average housewife. For at a time when we spend record amounts of money on food, and more and better foods are available than ever before, Americans are still prey to two ills directly caused by poor food habits—overweight and malnutrition. And, believe it or not, it's quite possible to have both complaints at the same time.

A person's weight is no indication that he is getting the kind of food he needs to carry on a normal life. Most overweight people are that way because they eat *too much* of the *wrong kinds* of food. It seems almost capricious that in the Occidental world, which is relatively free of widespread famine, a prevalent "disease" is one which goes to the other extreme—overeating. "In spite of wars, more white people die by knife and fork than by gun and sword," says Dr. Victor E. Levine, of the Creighton University School of Medicine in Omaha, Nebraska.

Surveys by the National Research Council — a federation of governmental, educational and industrial research agencies—show that 40 percent of the families in this country need more calcium;

20 percent need more Vitamin C; 10 percent need more protein.

At first glance, the reason for these findings would seem to be economic — maybe the families aren't eating the way they should because they can't afford it. This is definitely not the case in most instances. "Adequate purchasing power is no guarantee of a good diet," says Dr. L. A. Maynard, Director of the School of Nutrition of Cornell University.

RECENTLY RELEASED government statistics on the nutritive content of city diets prove Dr. Maynard's point: in families with annual incomes from $5000 to $7000, 36 percent are not getting the recommended allowances for calcium, 19 per cent are short of thiamine, and 10 per cent aren't getting the full allowances of at least one of five other nutrients.

And these families represent the top income brackets — about 20 percent of the working population.

The fact that high income is no guarantee of a good diet is proven once again by the ten-year studies of Dr. Pauline Berry Mack, whose work on the diet habits of teen-agers was sponsored jointly by industry and the Pennsylvania Department of Health.

The teen-age survey was based on case histories of over 2500 young people, the largest representative group ever included in a nutrition investigation. These young people came from a better-than-average cross-section of the country: only 4.7 percent were from homes where the breadwinner was unemployed, retired or on relief.

Dr. Mack's studies found:

- Faulty eating habits and undernutrition among American teen-agers result in physical problems — underweight, minor and major skeletal deformities, poor complexion, teeth and eyes.
- Young people are neither eating enough food nor enough of the right kind of food. About 72 percent of the boys and 55 percent of the girls studied were getting less than half of the leafy green and yellow vegetables desirable for optimum nutrition; 40 percent of the girls and 30 percent of the boys were getting less than half of the milk needed for proper growth.
- Financial ability to provide food does not insure a good diet. Serious cases of undernutrition were often present in highest income families.

Maybe the reason for poor diets is poor distribution—maybe all sections of the country do not have access to the variety and type of foods necessary for a good diet. That's not the case either.

"Many families have poor diets

under conditions of ample supplies," says Dr. C. M. Coons, assistant chief of the Bureau of Human Nutrition and Home Economics of the Department of Agriculture.

WELL, THEN, whose fault is the fact that as a nation we're overfed and undernourished?

The food industry's? "That's ridiculous," says a spokesman for one of the large food companies. "Ever since Mr. Heinz and Mr. Campbell put out their first canned soups over fifty years ago, the food industry has been especially diligent in supporting research on products and processing for optimum retention of nutritive values. If you want any proof, there are hundreds of government and industry studies which show that very little nutritive value is lost by processing foods. In fact, we can improve on nature by add- in vitamins and minerals to products."

The government's? Hardly. Pure Food and Drug laws have established legal standards for food processors. In addition, various government agencies work with universities in food and nutrition studies, and — more important — make this information available directly to consumers through pamphlets, and indirectly, through supplying newspaper and magazine editors with materials.

During the past fifty years, the consumer has been at the receiving end of an improved food program carried on by government and industry.

In the 1890s, the process of canning made available a variety of foods all four seasons of the year.

In the 1940s, frozen foods, another improvement in food processing, appeared on the market.

And now in the 1950s, the Navy, working with the Massachusetts Institute of Technology, has announced a cathode ray irradiation method for preserving meat. The operation requires only one second, and it will protect meat at ordinary refrigeration temperature for sixty days or longer.

All of these developments contribute to the convenience, economy and variety of today's meals. Canned and frozen vegetables save the housewife hours of preparation, and they make it possible to serve vegetables on a year-round, instead of seasonal, basis. The cathode ray process will probably mean that homemakers in rural areas can stock up on meats on infrequent trips to town; they will be able to take advantage of meat sales, just as they do canned and frozen food sales at present.

THE EVIDENCE clearly indicates that there is a wider variety of food available than ever before, yet studies commenting on— and

proving—the unhealthiness of our national food habits constantly make the news.

A good part of the blame for this situation rests on the person who prepares the meals—the housewife who has access to information on how to prepare healthful meals, and the purchasing power to buy the materials, but who simply neglects to use it.

"Vitally needed changes in teenage diets," Dr. Mack said in her report, "are largely a matter of proper selection and proper cooking, rather than the addition of highly expensive foods. A well-balanced diet is often less costly than a poor diet."

The Department of Agriculture agrees. "To help stop the stream of statistics proving that we are an undernourished people living in a land of food surpluses, we need to teach people how to obtain good diets," said one of the home economists with the department.

The Department of Health, Education and Welfare thinks so, too. "All other things being equal, the homemaker's knowledge of foods is the final determining factor on whether or not her family's going to be well fed and properly nourished," said a department spokesman.

To help individual housewives feed their families properly, the Superintendent of Documents, Washington 25, D. C., publishes a constant flow of information on foods and nutrition. *Foods and Cooking* is a bibliography of government publications available to consumers. Some of the titles give an idea of the specific, fact-packed type of material contained in these pamplets: *Food Guide for Older Folks, Food for the Family with Young Children, Food for Families with School Children.*

Other good sources of nutrition information include state and local health departments, state agricultural colleges and, of course, the women's pages of newspapers and magazines.

We have everything we need to improve the health of the nation—information on nutrition, purchasing power and abundant supplies of food. If each housewife were to combine these three items to the best of her knowledge and ability, concern about our country's poor food habits would be over. ■

Eau de Flatbush

ADD THIS STORY to the growing backlog of literature about Brooklyn: The Flatbush Avenue Merchants' Association, in a recent stepped-up merchandising campaign, announced that during a three-day program of bargain sales, the Avenue would be sprayed with a new, exotic perfume, Flatbush Number 5.

Will We Ever Conquer Polio?

Scientists say "yes" — but . . .

LATE SUMMER this year will probably mean—as it has for the past several years—an increase in the polio rate in many communities across the nation. About 46 million people—one out of every three persons living in this country—fall in the under-nineteen age group, which is most susceptible to the disease.

We know very little about what actually causes polio, but we do know that it has taken an increasing number of victims during the past few years. The very word "polio" has acquired terrifying psychological implications.

Even ten years ago, an annual average of polio cases used to be around 7000. Then the rate increased sharply. In 1949, there were about 42,000 cases; in 1950, 33,000; in 1951, 29,000. Last year's 57,000 cases was the worst yet.

One of the known facts about polio is that it is a disease which knows no socio-economic barriers. The rich as well as the poor get polio; and, in fact, the disease appears to be more prevalent among people with high standards of living.

As a result of the terror which has come to surround the disease, few people realize that even though the polio rate has climbed sharply during the past several years, the disease still afflicts only a very small portion of the population. To get the exact percentage on a national scale, divide 46 million (the number of susceptible children) into 57,000 (the number of actual cases last year) and the result is that about .1 percent of the most susceptible persons actually contract polio, even in an epidemic year.

And of the relatively small number of people who actually contract polio, about four out of every five polio victims recover with no permanent injury; only about one out of eight is seriously crippled; only about one out of twelve dies.

Another statistic, small comfort

though it may be: the disease ranks almost at the bottom of the list of the causes of death in this country.

THIS SUMMER, we have two weapons to help us wage the annual battle against polio. Perhaps they're not as effective as we'd like them to be, but they are weapons. One is the gamma globulin innoculation program which will be administered by the Office of Defense Mobilization through state and local health departments. The other is the recent announcement that the University of Pittsburgh's Dr. Jonas E. Salk "appears" to be on the brink of a polio vaccine which can be mass produced.

Both of these programs have their limitations at present, but there is every indication that before many more summers pass, we shall no longer fear the annual polio crisis.

Our big hope in this summer's fight against polio is our stockpile of gamma globulin—GG—a clear fluid derived from human blood.

This concentrate is a kind of natural vaccine manufactured by the cells of the blood, and it contains the disease-fighting antibodies a person develops over a period of time from mild skirmishes with various germs. It has been effectively used to fight liver infection, jaundice and measles.

The use of GG in polio prevention is chiefly a stop-gap measure. An innoculation immunizes an individual for only about six weeks —and even then, the immunization is not complete. A person innoculated with GG may contract polio, but there is belief that in this case, the attack is much milder than it would have been otherwise.

The value of the globulin is strictly preventive—it is not effective if a person already has polio.

It takes about one pint of whole blood to make enough GG for an average injection. The Red Cross collects the blood and turns it over to one of the commercial processors—Squibb, Carter or Armour—to be made into globulin, costing about $10 per dose. (GG will not be sold over-the-counter in drugstores this summer; all supplies will be distributed by state and local health departments, who will not charge individuals for the actual globulin. However, doctors may charge their usual fees for the injection.)

To help meet this summer's need for GG, the Red Cross raised an extra $7 million; the National Foundation for Infantile Paralysis will spend about $11 million this year for research and care and relief of polio victims.

But despite all the advance fundraising and careful planning, the

fact remains that there is only enough GG for about one million innoculations — and there are about 46 million people in this country who fall into the polio-susceptible age group. Therefore, the globulin will be used chiefly in epidemic areas.

THE MOST DRAMATIC news to date on the progress of polio research appeared recently in the *Journal* of the American Medical Association. Even though it was veiled in the most cautious, scholarly and technical terms, the report by Dr. Jonas E. Salk and his associates still was the most joyful in the history of the fight against polio.

It announced that an anti-polio vaccine developed by Dr. Salk and his researchers had been used—safely and successfully—in preliminary trials on children and adults.

Specifically, the new vaccine is better than any other polio remedy discovered yet because:

- *It provides protection against all three known types of polio virus.* Previously, innoculation against one type of polio did not mean that a patient was immune to the other two types.
- *It is safe.* The viruses in the vaccine are killed by formaldehyde—so that they cannot cause polio, but they can stimulate the human body to produce antibodies, which in turn fight off live polio viruses. The director of the Hospital of the Rockefeller Institute for Medical Research commented on Dr. Salk's vaccine: "There is every indication that the preparation in question is as safe as any other vaccine now widely used against diseases other than poliomyelitis."
- *It can be mass produced.* The president of Parke, Davis & Company, one of the country's largest manufacturers of pharmaceuticals, states: "When the new vaccine meets the test of safety and effectiveness in field trials, we will be in a position to make it available at once."

Why don't we use the new vaccine to fight this summer's expected polio epidemic?

Because, briefly, the vaccine is not quite ready for mass use. Scientific research is a progression of steps, each dependent upon the one before. Dr. Salk and his associates are the first to point out that their recent discovery is the culmination of experiments by hundreds of scientists who have worked since 1909 in about ninety research institutions, universities, private agencies and industrial laboratories.

An example of the scope of

the battle against polio is the fact that the National Foundation for Infantile Paralysis, which acts as a clearing house and a center of polio research and information, has spent almost $150 million during the past fifteen years. These funds come from voluntary contributions to the March of Dimes campaign held each January. The Foundation has no research laboratory of its own but makes grants to institutions throughout the country for investigations on the cause, prevention and cure of polio.

The Red Cross has allotted special funds for the fight against this disease.

Industry — through outright grants to the National Foundation and other agencies, through subsidizing university research, and through research in company laboratories—has helped wage the anti-polio war.

All of these efforts, in one way or another, contributed to Dr. Salk's new effective vaccine. So far, it has been used only on a small number of test cases—about 150. The next step will be to use the vaccine on ever-increasing groups of people, to constantly check and improve the preparation before offering it for mass use. How long this will take, Dr. Salk will not venture to guess.

One fact, however, is certain: It won't be too long before the nation can look forward to immunizing every one of its 155 million people against polio. Estimates by responsible, informed authorities place this date anywhere from two to ten years from now.

The president of the American Medical Association has stated that a polio vaccine will be available "before many more epidemics threaten our children." Dr. W. M. Stanley of the University of California, winner of a Nobel Prize for science, predicts that within ten years infantile paralysis will be wiped out by vaccination, just as smallpox has been.

Until then, about the only real program we can follow during the polio season is that recommended by the National Foundation: get plenty of rest, avoid chilling, avoid crowds, keep the body and the home as clean as possible. In the past few years, authorities have discouraged the practice of sending city children to rural areas to escape polio, because it it doesn't seem to help.

Recently, an article in the *Journal* of the American Medical Association added another precaution against polio: "elective tonsillectomies should be restricted in epidemic periods." The article went on to say that "investigation should be made of a similar relationship of dental and other oral and general operations to poliomyelitis, and the need of restricting them in epidemic." ■

Does Big Business Compete Today?

Yes, but in a new way—

For all it has contributed to our standard of living, big business is still a touchy subject. With a few firms accounting for most of the output in our major industries, how does this concentration of power affect competition and growth in these industries? What is its influence on the quality and variety of goods we buy and the prices we pay for them?

THIS SUMMER, what type of lightweight suit are you wearing? Is it woven of a synthetic fabric like orlon, dynel, rayon, nylon or dacron, any combination of one of them with cotton, silk or wool? If it's any of these, you're demonstrating the results of a new kind of competition becoming characteristic of American big business.

This new competition overshadows the traditional contest of the market place with a markedly stepped-up pace of activity in the laboratories and the pilot plants. Led by technology, it stresses the discovery and output of new and better products.

"Each major innovation generates the incentives, indeed the necessity, for other companies to do likewise and otherwise to meet the new threat or opportunity." Thus it is *innovation* that permeates and characterizes the new big business competition. So declares Dr. A. D. H. Kaplan of the Brookings Institution, a private organization devoted to economic research, after a five-year study now attracting wide interest for what it reveals of the influence of giant corporate organization and technology upon our economy.

Before taking a closer look at innovation in action, let's apply a tape measure to big business.

This article is based on the findings of a five-year study by the Brookings Institution recently summarized by Dr. A. D. H. Kaplan, director of the study, and Prof. Alfred E. Kahn in a booklet published by "Fortune" magazine.

It may surprise many to learn that, as a whole, corporate business has accounted for an almost constant proportion—50 percent—of the national income for the past twenty years.

While big business is getting bigger, says Dr. Kaplan, the trend toward concentration within industries may be leveling off. In 1948, businesses with 500 or more employees accounted for 44 percent of total business employment, compared with 40 percent in 1940. But there were more of them in 1948, both absolutely and in proportion to the total number of businesses.

The Department of Commerce concluded in 1950 that no marked increase in industrial concentration had occurred between 1939 and 1948. As far as the proportion of small to large business firms today is concerned, companies with 500 or more employees make up only about 10 percent of the total number of enterprises.

Measured one by one, the corporations which comprise big business have experienced a shake-up in size and rank during the first half of this century. As an example, in 1948 the 100 largest corporations included only thirty-six of those on the list in 1909. No guarantee of rank existed in the past and none exists for the future.

In types of industries represented among the 100 largest corporations, the last forty years have seen top position in size pass from iron and steel to petroleum. The petroleum industry now controls about 29 percent of the assets of the 100 largest corporations. Among the other notable gainers among industries on this list, according to Dr. Kaplan's summary, are chemicals, retail distribution, electrical equipment and machinery. All told, of course, the 100 largest corporations represent only a fraction of the industries and firms popularly labeled "big business."

NOW, WHAT IS IT about modern big business that has led to the stress on innovation?

A big business, Dr. Kaplan points out, represents an immense investment that presses for full and productive utilization. To do better than break even, it must utilize its factories and machinery to the utmost. To satisfy its management, stockholders, workers and dealers, it must do more. It must improve products, add new ones, step up volume while reducing costs, and *sell* at a rising rate.

What conditions do such businesses meet in the market? Customers, having become better informed about technological progress through the years, demand more and more. Some of them—industrial and chain-store buyers—are big enough to play off suppliers against each other. They

may have the facilities to produce some of their own needs if this would save money. The pressure to deliver something extra under these conditions leads to a perpetual quest for fruitful ideas.

No company is so big, the Brookings findings reveal, that it can long ignore the pressure for innovation. Losses of business and diminishing profits on their traditional lines stirred such entrenched giants as U. S. Steel and Allied Chemical and Dye into a sharp and lasting rise in research for product development.

"The old-line locomotive makers were swept off their feet when General Motors introduced diesel engines. With the collaboration of Westinghouse and General Electric, they are now recapturing a share of what they lost by their lethargy."

Because innovation follows upon the strides of technology, it frequently hurdles old-time product and industry boundaries and upsets tranquil markets. In metallurgy, the Union Carbide and Carbon Corporation led the way on alloy steels. The Dow Chemical Company and the Aluminum Company of America developed magnesium. And du Pont, a front-runner in chemicals and explosives, holds the lead in finding uses for a new metal of tremendous potentialities, titanium.

How does innovation work in such a basic industry as steel? This huge industry today is continually varying the chemical composition and inherent properties of its products. In its fabrication operations it now works much like a custom tailor, devising innumerable finished steels and alloys in shapes and sizes to suit individual buyers. Often it must deal with a new set of requirements from the start, and the company that shows more resourcefulness at such times garners more orders.

BECAUSE OF resulting patent rights, innovation at times breeds monopolies of a limited sort, but they seldom last long. American Viscose enjoyed a monopoly of American rayon until 1920, earning about 80 percent on its investment from 1915 to 1919. Then Dreyfus Brothers, with Celanese, held a monopoly in cellulose acetate rayon for a time. More recently, du Pont has had a monopoly in nylon, orlon and dacron. Other companies control vinylite, vinyon and the rest.

In each case, however, the new fiber offers a vital sort of competition to the old. Each extends the range of alternatives open to weavers and customers.

For half a century the Aluminum Company of America (Alcoa) held a monopoly of domestic production of virgin aluminum. New firms finally broke into the field and lately the federal government

has succeeded in enticing another. However, while the extraction and refining of aluminum remains in the hands of a few, it constitutes neither a monopoly nor an oligopoly (control of a market by a few sellers) in the popular sense, because many properties of aluminum may be found in other metals.

"The ultimate consumer," says Dr. Kaplan in his summary, "who buys aluminum and competing metals in hundreds of end-product forms, ordinarily has a wide range of choice among suppliers, who, in turn, frequently change their raw material components." Roofing materials represent about 25 percent of the market for aluminum, but aluminum accounts for only 4 percent of all roofing materials.

Pure competition, the economics textbooks tell us, calls for a balance of supply and demand at the point of sale whereby no single seller or group of sellers is in a position to determine price. Is this the kind of competition that exists in big business generally today?

The Brookings findings say no, but the modern-day usefulness of pure competition as a guide is also questioned.

Today, "the producer is not a market bystander who has the choice only of delivering or not delivering his wares, depending on whether the market price suits him. Neither he nor his products are lost in the crowd.

" 'He' consists of a large and diversified community of managers, workers, investors, suppliers, salesmen, distributors, and dealers, and his task is to create, hold, and re-create demand for this pool of resources. To do so, he must constantly vary and improve his product mix. Thus, modern industry makes for product diversification rather than standardization."

The giant enterprise typically bases its pricing policy on long-range planning for growth, rather than on quick-opening opportunities for making a killing. Therefore, "where the large firm is in a position to formulate a price policy *and make it stick*, its prices are likely to be relatively inflexible in the short run. Improvisation gives way to the formulation of definite cost-price objectives; prices represent policy decisions rather than the impersonal ruling of a mechanistic market."

Henry Ford, the summary recalls, thus administered the low price that opened up a mass market for automobiles.

The Brookings findings conclude that scientifically geared big businesses generally do try to protect their prices from the ups and downs of demand. But they see the consumer gaining from the longer-run price-lowering influence of the rivalry among these corporations for new and better products. ■

ECONOMICS IN ACTION

Congress has already slashed grants for flood control, public health and power plants. But these cuts are piddling...The big savings--and also the biggest controversy--will come in defense and foreign aid:

> Foreign aid can be reduced by $2 billion, insists Congressman Reed, but this one-man battle against Administration tax policies faces stiff opposition. Defense spending, especially Air Force appropriations, will be trimmed heavily. Current proposals call for a $5 billion slice in the air build-up.

Although Air Force Chief Vandenberg declares that slowing our air program will endanger national security, the cuts will undoubtedly be made since Eisenhower has put his military prestige behind them....

Early signs that the bloom is off the boom are being seen in the slowdown in demand for steel. For more than a year, steel mills have been working well above their estimated capacity...Now, production is settling down to a good, but not hectic, rate...Steel prices have increased slightly since the withdrawal of price controls in April, but there's no sign of inflation in the steel market...Stand-by controls, incidentally, have been pretty well killed by Congress....

Electric power production seems to be the up-and-coming industry of the next decade...Private utilities plan to spend $12 billion by 1956 to boost generating capacity by 50%. This, of course, reverses a 20-year trend toward public power...Need for electricity may double by 1960 because of the increased use of devices like dish washers, driers, TV sets...Atomic power has moved one step nearer with the development of an atomic plant that produces new fuel as rapidly as the fuel is consumed in operating the plant....

ECONOMICS IN ACTION

Summertime is traditionally house-hunting time, and the home situation is rosier than it has been for several years...For a price, you can get all you want in a new house--but this price is no longer subject to sudden hikes as it was a few years back when everything was on a cost-plus basis.

Materials are plentiful.

Labor is available, but costs are edging up.

Contractors are eager for business.

Best buys are available in old houses--especially large ones...Mortgage money, however, is tighter than it has been in years....

As part of the Soviet plan to build up internal strength and loyalty, the Malenkov government has put flour on daily sale in grocery stores at standardized prices. Until now, government stores sold flour only four times a year in an attempt to make sure that flour reserves were always on hand...Good and abundant food for everyone in the world is technically possible through proper utilization of soil, water and climatic resources, reports the United Nations Food and Agriculture Organization--but it isn't here yet...The President wants to ship a million tons of grain to Pakistan to avert a famine there....

The Department of Better Mousetraps: a combination goldfish bowl and clock...matching sunglasses for dog and master...wild-west saddles with built-in portable radios...books about the out-of-doors printed in pine-scented ink...a machine that takes the dents out of cans...makeup sprayguns for converting palefaces to movie Indians...and a welcome mat with a built-in recording device that announces to the unwary treader where his host is and when he will return....